

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

NATIONAL DRUG AND CHEMICAL COMPANY OF
CANADA LIMITED

(Incorporated November 9th, 1905, by Letters Patent issued under The Companies' Act 1902, of Canada)

CUMULATIVE CONVERTIBLE PREFERRED SHARES
of the Par Value of \$5 each

CAPITAL SECURITIES AS AT SEPTEMBER 5TH, 1946

Class	Par Value	No. of Shares			
		Authorized by Charter	Issued	To be Listed	Outstanding
Cumulative Convertible Preferred Shares	\$5 each	244,854	244,854	244,854	244,854
Common Shares	\$5 each	495,235	250,381	None	250,381

All said outstanding Preferred Shares are fully paid and non-assessable with no personal liability attaching to the holders.

Montreal, P.Q., September 5th, 1946

1. NATIONAL DRUG AND CHEMICAL COMPANY OF CANADA Limited (herein sometimes called the "Applying Company") hereby makes application to have listed on The Toronto Stock Exchange the following:—

244,854 Cumulative Convertible Preferred Shares of the par value of \$5 each of its capital stock, presently issued and outstanding.

2. HISTORY, BUSINESS AND PROPERTIES

The Applying Company was incorporated by Letters Patent under The Companies' Act, 1902, of Canada, under date of November 9th, 1905. Supplementary Letters Patent were issued to the Applying Company under dates of February 7th, 1906, October 30th, 1908, January 25th, 1909, June 4th, 1913, June 20th, 1924, January 29th, 1936, and August 14th, 1946.

The business of the Applying Company is that of wholesale druggists and, through a Subsidiary, manufacturers of pharmaceuticals and household remedies. The Applying Company is both a holding and operating Company.

The Applying Company either directly or through subsidiary or associated companies owns properties at Halifax, Saint John, Montreal, Ottawa, London, Fort William, Winnipeg, Regina, Saskatoon, Calgary, Vancouver and Victoria, and leases properties at Toronto, Edmonton and Sydney.

3. STOCK PROVISIONS AND VOTING RIGHTS

The preferences, priorities, rights, limitations and restrictions attaching to the Preferred and Common Shares, as set out in the Supplementary Letters Patent, dated the 14th of August, 1946, are as follows:—

A. The holders of the Preferred Shares shall be entitled to receive dividends from any funds of the Company at the time legally available for dividends, when and as declared by the Board of Directors, at the rate of, but not exceeding, Sixty cents (60c) per share per annum, to be paid quarter-annually on the first days of December, March, June and September in each year. Such dividends on the Preferred Shares shall be cumulative from 1st September, 1946, and shall be declared and paid or set apart for payment in respect of the current quarterly dividend period and all previous quarterly dividend periods before any dividends shall be declared or paid upon or set apart for any other shares of the Company; but the holders of the Preferred Shares shall be entitled to no other or further dividends. Accumulated dividends shall bear no interest. Dividends on the Preferred Shares shall be paid by warrant or cheque payable at par at any branch in Canada (Yukon Territory excepted) of a chartered bank from time to time selected by the Board of Directors.

B. Subject to the prior rights of the holders of the Preferred Shares as set forth in the foregoing paragraph, and not otherwise, the Board of Directors may declare and cause to be paid dividends to the holders of any other shares of the Company from any funds at the time legally available for dividends.

This listing statement is a copy of the listing application made by the applicant company. The Exchange has received no consideration in connection with the issue of this listing statement other than the customary listing fee. The papers and exhibits submitted by the applicant company in support of the listing application are open for inspection at the general office of the Exchange.

C. In the event of any liquidation, dissolution or winding-up of the Company, the holders of the Preferred Shares shall be entitled to receive out of the assets of the Company (whether from capital or surplus or both) an amount equal to the capital paid up on such shares respectively and, in addition thereto, a premium of Two dollars (\$2) per Preferred Share and an amount equal to all accrued and unpaid dividends thereon (which for such purpose shall be treated as if such dividends were accruing for the current quarterly dividend period from the beginning of such period to, but not including, the date of such distribution), before any distribution of assets shall be made to the holders of any other shares of the Company. The holders of the Common Shares shall be entitled, to the exclusion of the holders of the Preferred Shares, to share ratably in any assets of the Company remaining after such payment to the holders of the Preferred Shares. If upon such liquidation, dissolution or winding-up the assets of the Company shall be insufficient to permit the payment in full to the holders of the Preferred Shares of the amounts distributable to them as aforesaid, then the entire assets of the Company shall be distributed ratably among the holders of the Preferred Shares then outstanding according to their respective rights.

D. Except as otherwise for the time being required by The Companies' Act or by these provisions, the holders of Preferred Shares shall have no voting power and shall not have the right to receive notice of any meeting of Shareholders. If, however, at any time the amount of accrued and unpaid dividends on the Preferred Shares then outstanding shall equal or exceed Ninety cents (90c) per share, then and in any such case the holders of the Preferred Shares shall, until such time as all accrued and unpaid dividends thereon shall have been paid or set apart for payment, have one vote per Preferred Share and shall be entitled to the same notice of Shareholders' meetings as the holders of the Common Shares and to attend and vote thereat.

E. Any holder of Preferred Shares may, without expense to him, at any time convert all or may from time to time convert any of the Preferred Shares held by him into Common Shares of the capital stock of the Company at the rate of one Common Share for each Preferred Share. The Board of Directors may from time to time make rules and regulations regarding the manner in which such conversions shall be carried out.

All Common Shares issued upon any conversion of Preferred Shares into Common Shares shall be issued out of the then authorized but unissued Common Shares of the capital stock of the Company and shall be fully paid and non-assessable. The Company shall not at any time issue Common Shares to an extent which will result in the unissued Common Shares being insufficient in number to enable the Company forthwith to make the appropriate issue of Common Shares should the holders of all the then outstanding Preferred Shares determine to convert the same in accordance with the foregoing provisions hereof.

If at any time not less than Ninety per centum (90%) in number of all the Preferred Shares theretofore issued by the Company shall have been converted by the holders thereof into Common Shares as aforesaid, then the Company may, subject as hereinafter provided, at its option, by resolution of its Directors, convert all of the Preferred Shares then outstanding into Common Shares with effect as of the then next following quarterly dividend payment date, whereupon such Preferred Shares shall at the close of business on such date be and become Common Shares of the capital stock of the Company, and all rights of the holders in respect of or appertaining to the Preferred Shares previously held by them respectively shall be extinguished; provided that, on such quarterly dividend payment date, there shall be paid by the Company to the Preferred Shareholders whose shares are thus converted into Common Shares the full amount of all accrued and unpaid dividends thereon, including the quarterly instalment of dividend on such Preferred Shares payable on such quarterly dividend payment date.

If the number of outstanding Preferred or Common Shares shall, prior to the exercise by the holder of any Preferred Shares of his conversion right hereunder, be subdivided or consolidated, the number of the Common Shares into which such holder may thereafter convert his Preferred Shares shall be proportionately increased or reduced, as the case may be; provided that, in such event, no Preferred Shareholder shall be entitled to convert a Preferred Share or Shares into a fraction of a Common Share. In any case where by virtue of exercise of this right of conversion any Shareholder would, except for the foregoing proviso, become the holder of a fraction of a Common Share, the Company shall issue to such Shareholder, in respect of such fraction, a certificate or certificates, transferable by delivery, entitling the bearer thereof and of other similar certificates aggregating one full Common Share, upon surrender of such certificates during such period of time and at such place or places as shall be designated therein, to obtain from the Company a share certificate in his name therefor. Such certificate shall be in such form and shall be subject to such conditions and contain such provisions in regard to any future subdivision or consolidation of any shares of the Company and other matters as the Directors may determine, and shall provide that the holder thereof shall not, as such, be a shareholder of the Company nor be entitled to receive dividends upon or in respect of the fraction of a Common Share represented thereby nor to any other rights of a shareholder of the Company.

Nothing herein contained shall be deemed in any way to limit or restrict the rights of the Company, subject only to the express provisions herein contained, from time to time to take such lawful proceedings as it may deem advisable for the increase or reduction of its Preferred or Common Share capital, or otherwise in any other manner changing or dealing with the share capital of the Company or the shares thereof, the foregoing rights in respect of conversion being exercisable in respect of Preferred Shares and of Common Shares of the capital stock of the Company as they may from time to time be constituted respectively.

F. So long as any of the Preferred Shares shall remain outstanding, the Company shall not create or issue any class of shares ranking as to dividends or assets prior to the Preferred Shares.

G. The Company may increase the authorized number of Preferred Shares or create any class of shares ranking on a parity with the Preferred Shares or otherwise amend, alter, change or repeal any of the foregoing provisions and the provisions contained in this paragraph; but no such increase in the Preferred Shares or such creation of any class of shares ranking on a parity with the Preferred Shares and no such amendment, alteration, change or repeal which materially and adversely affects the holders of the Preferred Shares shall have any force or effect whatever until, in addition to compliance with the then relevant requirements of The Companies' Act, it shall have been sanctioned as hereinafter provided by the holders of Preferred Shares.

Any matter requiring the sanction of the holders of the Preferred Shares as provided in this paragraph G. shall be deemed to have been duly sanctioned by the holders of the Preferred Shares if it shall have been approved in writing by the holders of a majority of the outstanding Preferred Shares or by resolution passed at a Special General Meeting of holders of Preferred Shares duly called and held upon not less than twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares are present or represented by proxy and carried by the affirmative vote of the holders of a majority of the outstanding Preferred Shares or by the affirmative vote of not less than three-fourths of the votes cast at such meeting, whichever is less. If at any such Special General Meeting the holders of a majority of the outstanding Preferred Shares are not present or represented by proxy within one-half hour after the time appointed for the meeting, then the meeting shall be adjourned to such date not less than twenty-one (21) days thereafter and to such time

and place as may be designated by the chairman, and not less than fifteen (15) days' written notice shall be given of such adjourned meeting. At such adjourned meeting, the holders of Preferred Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative vote of the holders of a majority of the outstanding Preferred Shares or by the affirmative vote of not less than three-fourths of the votes cast at such meeting, whichever is less, shall constitute the sanction of the holders of Preferred Shares referred to above. Subject to the foregoing, the formalities to be observed in respect of the giving of notice of any such Special General Meeting or adjournment and the conduct thereof shall be those from time to time prescribed in the By-laws of the Company in respect of meetings of Shareholders.

Each Common Share entitles the holder thereof to one vote.

4. PURPOSE OF ISSUE AND AUTHORITY THEREFOR

The outstanding capital stock of the Applying Company has been issued at various times over the period of years since its inception in 1905 under the authority of its charter and resolutions and by-laws of its Board of Directors. The purposes of issue were mainly to provide the applying Company with the means of acquiring assets, or to pay off bank loans or to provide working capital.

5. OPINION OF COUNSEL

The opinion of Messrs. Montgomery, McMichael, Common, Howard, Forsyth and Ker, Counsel for the Applying Company, with respect to the validity of the incorporation and organization of the Applying Company and of the issue and allotment of all said Preferred Shares, the listing of which is applied for, and of the authorization therefor is on file with the Exchange.

6. FUNDED DEBT

The Applying Company has no Funded Debt.

7. DIVIDENDS

Particulars of dividends paid during the five years preceding the date hereof are as follows:—

Preferred	
1941 to 1945.....	6% per annum
1946.....	3% to date
Common	
1941 and 1942.....	2% per annum
1943.....	6.9%
1944 and 1945.....	6% per annum
1946.....	Nil to date

8. OPTIONS AND WARRANTS

There are no options or warrants outstanding with respect to any of the unissued shares of the capital stock of the Applying Company except that 244,854 Common Shares are reserved for issue upon the conversion of the Preferred Shares.

9. SUBSIDIARIES

The following is a list of the Applying Company's Subsidiaries, the manner and date of incorporation, the authorized and outstanding stock, its par value and the number of shares owned by the Applying Company:—

Name	Mode and date of Incorporation	Class	Par Value	Authorized	Outstanding	Owned by Applying Company
National-Canadian Drugs Limited	Companies Act New Brunswick June 29, 1933	Common	\$100	5000	3570	3385
Johnston and Boon Company Limited	Companies Act Ontario March 31, 1920	Common	\$100	1300	1300	1300
National-Drugs Limited	Companies Act Manitoba June 13, 1932	Investors	\$100	12500	8138	5162
		Druggists	\$100	3500	1585	Nil
Alberta-National Drug Company Limited	Companies Act Alberta Sept. 1, 1931	Investors 8% Cumulative	\$100	3000	3000	3000
		Retailers 8%	\$100	2000	320	Nil
B.C. Drugs Limited	Companies Act British Columbia Nov. 19, 1928	"B" 8% Cumulative Preference	\$100	3000	3000	3000
		Common	\$100	1000	1000	1000
		"A" Cumulative Preference 8%	\$100	1000	Nil	Nil
Laurentian Laboratories Limited	Companies Act Dominion Nov. 20, 1923	Ordinary	\$100	5000	4120	4120
Better Proprietaries Limited	Companies Act Ontario Dec. 30, 1938	Preferred	\$10	4000	Nil	Nil
		Common	N.P.V.	4000	2004	2004
Toiletry Sales Limited	Companies Act Dominion Nov. 13, 1945	Common	\$100	500	35	35

There is no outstanding funded debt of the above-mentioned Subsidiaries. None of the Subsidiaries' stock is listed.

10. FINANCIAL YEAR
The financial year of the Applying Company ends on December 31st in each year.

11. ANNUAL MEETING
The Annual Meeting of Shareholders is held at the head office of the Applying Company or at such other place within Canada as the Directors may determine, on such date (not later than four months reckoning from the end of the Company's financial year) as may be fixed by resolution of the Board of Directors.

12. HEAD AND OTHER OFFICES
The head office and executive offices of the Applying Company are situate at 442 St. Gabriel Street, Montreal, P.Q. Branch offices are located at 336 Wellington Street, Ottawa, Ont., 388 King Street West, Toronto, Ont., and 196 York Street, London, Ont.

13. DIRECTORS
The names and addresses of the Directors of the Applying Company (elected annually) are:—
L. W. Barker, D.S.O., V.D.....3980 Cote des Neiges Road, Montreal, P.Q.
W. W. Bole.....3 Castle Frank Drive, Toronto, Ont.
A. H. Elder, K.C.....3738 Cote des Neiges Road, Montreal, P.Q.
A. B. Evans.....3495 Peel Street, Montreal, P.Q.
G. E. Griffiths.....1362 Laird Boulevard, Town of Mount Royal, P.Q.
C. H. Lander.....1509 Sherbrooke Street West, Montreal, P.Q.
G. A. Slemin.....1400 Dunvegan Road, Town of Mount Royal, P.Q.
W. Taylor-Bailey, M.C.....3018 Trafalgar Avenue, Montreal, P.Q.

14. OFFICERS
The names and addresses of the Officers of the Applying Company (elected annually) are:—
A. H. Elder, K.C.....Chairman of the Board.....3738 Cote des Neiges Rd., Montreal, P.Q.
C. H. Lander.....President and General Manager.....1509 Sherbrooke St. W., Montreal, P.Q.
L. W. Barker, Vice-President and Secretary- 3980 Cote des Neiges Rd., Montreal,
D.S.O., V.D.....Treasurer.....P.Q.
G. E. Griffiths.....Vice-President and Comptroller.....1362 Laird Boulevard, Town of Mount Royal, P.Q.
G. A. Slemin.....Vice-President in Charge of Sales.....1400 Dunvegan Road, Town of Mount Royal, P.Q.

TRANSFER AGENTS AND REGISTRARS
The transfer agents and registrars for the Preferred Shares of the Applying Company are Montreal Trust Company, Montreal, Toronto, Winnipeg, Vancouver and Halifax, and The Royal Trust Company, Saint John, and such shares are transferable at Montreal, Toronto, Winnipeg, Vancouver, Halifax and Saint John.



NATIONAL DRUG AND CHEMICAL COMPANY
OF CANADA LIMITED
"L. W. BARKER"
Secretary.

DISTRIBUTION OF PREFERRED STOCK						
On October 31st, 1946						
Number						Shares
1,778	Holders	of	1 -	100	share lots.....	84,750
186	"	"	101 -	200	" "	26,831
45	"	"	201 -	300	" "	12,292
29	"	"	301 -	400	" "	12,943
33	"	"	401 -	500	" "	19,641
13	"	"	501 -	1000	" "	15,022
12	"	"	1001 -	up	" "	53,600
2,096 Stockholders			Shares.....			224,879
Balance of shares held for issuance upon exchange of old preferred			and common stock			19,975
			Total.....			244,854

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 30th June 1946

ASSETS

CURRENT ASSETS:

Cash on hand and in Banks.....	\$ 452,402.76	
Dominion of Canada Bonds—at Cost.....	255,990.00	
(Market Value \$263,112.25)		
Accounts Receivable (less Reserve).....	1,142,969.01	
Merchandise on hand valued on the basis used for preparing interim fiscal statements certified to by responsible officers of the Companies (see note below).....	2,915,524.62	\$4,766,886.39

DEFERRED CHARGES:

Taxes, Insurance and other prepaid Expenses.....	\$ 45,910.11	
Deposit with Trustees for Preference Shareholders.....	1,342.18	47,252.29

BALANCES OF SALES OF REAL ESTATE (SECURED) AND EXPROPRIATION AWARD.....		99,834.11
REFUNDABLE PORTION OF EXCESS PROFITS TAXES (Estimated).....		272,257.60
INVESTMENT IN ASSOCIATED AND OTHER COMPANIES.....		557,307.03

FIXED ASSETS:

Land, Buildings, Plant and Equipment—		
Partly valued as per appraisal of the Canadian Appraisal Company Limited, dated 19th January 1931, the remainder at cost and at depreciated values....	\$1,379,606.19	
LESS: Reserve for Depreciation.....	612,893.52	766,712.67

GOODWILL, TRADEMARKS, TRADE NAMES, etc.—at cost and at depreciated values..		201,360.00
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\$6,711,610.09

LIABILITIES

CURRENT LIABILITIES:

Bank Loans and Bank Indebtedness.....	\$ 350,906.65	
Accounts and Bills Payable and Accrued Charges.....	1,342,650.34	
Reserve for Income and Excess Profits Taxes.....	185,574.90	\$1,879,131.89

PROVISION FOR EXPENSE RE CHANGE OF LOCATION OF BRANCH PREMISES.....		12,459.72
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RESERVE FOR CONTINGENCIES.....		102,208.45
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MINORITY INTEREST IN CAPITAL AND SURPLUS.....		87,045.10
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CAPITAL STOCK—Authorized and Issued:

432,963 6% Cumulative Participating Preference Shares of the par value of 15/- each.....	\$1,580,314.95	
179,171 Common Shares of the par value of \$5 each (of which 50 Shares held for issue against outstanding fractional share warrants).....	895,855.00	2,476,169.95

SURPLUS ACCOUNTS:

Capital Surplus.....	\$ 459,745.08	
Earned Surplus.....	1,434,224.50	
Deferred Surplus:		
Refundable portion of Excess Profits Taxes as per Contra.....	\$272,257.60	
LESS: Minority Interest.....	11,632.20	260,625.40
		2,154,594.98
		<u>\$6,711,610.09</u>

NOTE: Inventory of merchandise on hand has been calculated by adding to the actual physical inventory at December 31, 1945, (which was valued at the lower of cost or market), the net cost of purchases for the six month period to June 30, 1946, and by deducting therefrom the net cost of sales for the same period.
The aforementioned net cost of sales has been determined by the management on the basis of past experience supplemented by current periodic tests.

To the Directors,

National Drug and Chemical Company of Canada Limited.

We have made an examination of the books and accounts of National Drug and Chemical Company of Canada Limited and certain of its subsidiary companies as at 30th June 1946 and have been furnished with the statements of the remaining subsidiary companies with the Auditors' Reports thereon. In the course of our examination and in that performed by subsidiary company Auditors, based on limited tests thereof, we have satisfied ourselves, as have the subsidiary company Auditors, that the accounts are maintained consistent with current accounting practice, but the usual detailed audits have not been made.

The merchandise has been valued on the basis used for preparing interim fiscal statements and certified to on such basis by responsible officers of these companies. Provision for Income and Excess Profits Taxes is on the basis of present standard profits. As required by Section 77 (3) of the Dominion Companies' Act, the above Consolidated Balance Sheet includes the assets and liabilities of the parent company and all subsidiaries as defined by Section 115 of the said Act, that is, companies in which, based on voting control, the parent company's interest represents more than 50%.

Subject to the foregoing, we report that, in our opinion, the above Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs as at 30th June 1946 according to the information and explanations given to us and as shown by the books of the companies examined by us and the statements of the remaining subsidiaries as reported upon by the Auditors thereof. We have obtained all the information and explanations we have required.

(Signed) MACINTOSH, ROBERTSON & PATERSON

Chartered Accountants.

MONTREAL, 2nd August 1946

PRO FORMA CONSOLIDATED BALANCE SHEET
as at 30th June 1946, after giving effect to the following:-

1. Supplementary Letters Patent, dated August 14th, 1946, confirming a Compromise or Arrangement, dated the 26th day of June, 1946,
 - (a) converting and subdividing the previously outstanding 432,963 Cumulative Participating Preference Shares of the par-value of 15s each and 179,171 Common Shares of the par value of \$5 each into 244,853-6/10 Cumulative Convertible Non-Callable Preferred Shares of the par value of \$5 each and 250,380-39/100 Common Shares of the par value of \$5 each, and
 - (b) increasing the authorized share capital of the Company by 4/10ths of an additional Cumulative Convertible Non-Callable Preferred Share of the par value of \$5 each and 244,854-61/100 additional Common Shares. Of these additional Common Shares 244,854 Shares are reserved to cover conversion of Preferred Shares into Common.
2. The issue by the Company (for the purpose of rounding out the issued share capital of the Company into a full number of Shares,) of 4/10ths of a Cumulative Convertible Non-Callable Preferred Share and 61/100ths of a Common Share.
3. Payment of dividends of 6-3/10 pence per Cumulative Preference Share (at exchange rate \$4.04 to the £) and 14 cents per Common Share (as such Preference and Common Shares existed prior to said Supplementary Letters Patent) pursuant to the provision of said Compromise or Arrangement.

ASSETS

CURRENT ASSETS:

Cash on hand and in Banks.....	\$ 452,407.81	
Dominion of Canada Bonds—at Cost.....	255,990.00	
(Market Value \$263,112.25)		
Accounts Receivable (less Reserve).....	1,142,969.01	
Merchandise on hand valued on the basis used for preparing interim fiscal statements certified to by responsible officers of the Companies (see Note below)....	2,915,524.62	\$4,766,891.44

DEFERRED CHARGES:

Taxes, Insurance and other prepaid Expenses.....	\$ 45,910.11	
Deposit with former Trustees for Preference Shareholders.....	1,342.18	47,252.29

BALANCES OF SALES OF REAL ESTATE (SECURED) AND EXPROPRIATION AWARD.....		99,834.11
REFUNDABLE PORTION OF EXCESS PROFITS TAXES' (ESTIMATED).....		272,257.60
INVESTMENT IN ASSOCIATED AND OTHER COMPANIES.....		557,307.03

FIXED ASSETS:

Land, Buildings, Plant and Equipment—		
Partly valued as per appraisal of the Canadian Appraisal Company Limited, dated 19th January 1931, the remainder at cost and at depreciated values.....	\$1,379,606.19	
LESS: Reserve for Depreciation.....	612,893.52	766,712.67

GOODWILL, TRADEMARKS, TRADE NAMES, etc.—at Cost and at depreciated values.....		201,360.00
		<u>\$6,711,615.14</u>

LIABILITIES

CURRENT LIABILITIES:

Bank Loans and Bank Indebtedness.....	\$ 350,906.65	
Accounts and Bills Payable and Accrued Charges.....	1,342,650.34	
Reserve for Income and Excess Profits Taxes.....	185,574.90	
Provision for Preferred and Common Dividends.....	70,999.67	\$1,950,131.56

PROVISION FOR EXPENSE RE CHANGE OF LOCATION OF BRANCH PREMISES.....		12,459.72
RESERVE FOR CONTINGENCIES.....		102,208.45
MINORITY INTEREST IN CAPITAL AND SURPLUS.....		87,045.10

CAPITAL STOCK:

Authorized—		
244,854 Cumulative Convertible Non-Callable Preferred Shares of the par value of \$5 each.....	\$1,224,270.00	
495,235 Common Shares of the par value of \$5 each.....	2,476,175.00	
	<u>\$3,700,445.00</u>	
Issued Fully Paid—		
244,854 Cumulative Convertible Non-Callable Preferred Shares of the par value of \$5 each.....	\$1,224,270.00	
250,381 Common Shares of the par value of \$5 each.....	1,251,905.00	2,476,175.00

Surplus Accounts:

Capital Surplus.....	\$ 459,745.08	
Earned Surplus.....	1,363,224.83	
Deferred Surplus—		
Refundable Portion of Excess Profits Taxes as per Contra.....	\$272,257.60	
LESS: Minority Interest.....	11,632.20	260,625.40
		<u>2,083,595.31</u>
		<u>\$6,711,615.14</u>

NOTE: Inventory of merchandise on hand has been calculated by adding to the actual physical inventory at 31 December, 1945, (which was valued at the lower of cost or market), the net cost of purchases for the six month period to 30 June, 1946, and by deducting therefrom the net cost of sales for the same period. The aforementioned net cost of sales has been determined by the management on the basis of past experience supplemented by current periodic tests.

To the Directors,
National Drug and Chemical Company of Canada Limited.

We have made an examination of the books and accounts of National Drug and Chemical Company of Canada Limited and certain of its subsidiary companies as at 30th June 1946 and have been furnished with the Statements of the remaining subsidiary companies with the Auditors' Reports thereon. In the course of our examination and in that performed by subsidiary company Auditors, based on limited tests thereof, we have satisfied ourselves, as have the subsidiary company Auditors, that the accounts are maintained consistent with current accounting practice, but the usual detailed audits have not been made.

The merchandise has been valued on the basis used for preparing interim fiscal statements and certified to on such basis by responsible officers of these companies. Provision for Income and Excess Profits Taxes is on the basis of present standard profits. As required by Section 77 (3) of the Dominion Companies' Act, the above Pro Forma Consolidated Balance Sheet includes the assets and liabilities of the parent company and all subsidiaries as defined by Section 115 of the said Act, that is, companies in which, based on voting control, the parent company's interest represents more than 50%.

Subject to the foregoing, and after giving effect to the terms as per Compromise or Arrangement, we report that, in our opinion, the above Pro Forma Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs as at 30th June 1946 according to the information and explanations given to us and as shown by the books of the companies examined by us and the statements of the remaining subsidiaries as reported upon by the Auditors thereof. We have obtained all the information and explanations we have required.

(Signed) MACINTOSH, ROBERTSON and PATERSON
Chartered Accountants.

Montreal, August 2nd, 1946.

Comparative Statement of Earnings

Messrs. Macintosh, Robertson and Paterson, Chartered Accountants, Montreal, the Auditors of the Company have reported on the Earnings of the Company as follows:

391 St. James Street West,
Montreal, 2nd August, 1946

To the Directors of
National Drug and Chemical Company of Canada Limited.

We have examined the books and accounts of National Drug and Chemical Company of Canada Limited and certain of its subsidiary companies, and have been furnished with the audited statements of the remaining subsidiary companies for the ten years ended 31st December 1945 and six months ended 30th June 1946.

In order to compute profit for the six month period, merchandise has been valued as at 30th June 1946 on the basis used for preparing interim fiscal statements and certified to on such basis by responsible officers of their companies. While certain tests have been made of the accounting records for the six months to 30th June 1946 to ascertain that the accounting has been maintained on a consistent basis in accordance with recognized accounting principles, we have not made a detailed audit of all the transactions for the period.

Subject to the foregoing, we report that in our opinion, the undernoted summary of earnings correctly sets forth for the above mentioned period the results of operations of National Drug and Chemical Company of Canada Limited and of its subsidiary companies (in which, based on voting control, its interest represents more than 50%).

Fiscal Year	Combined Profit from Operations and Income from Investments	Provision for Depreciation	Provision for Income and Excess Profits Taxes (See Note 2)	Interest of Minority Shareholders in Net Profits of Subsidiary Companies	Consolidated Net Profits including Refundable Portion of Excess Profits Taxes (See Note 2)
1936.....	\$261,540	\$40,664	\$42,307	\$10,655	\$167,914
1937.....	287,901	39,243	45,543	11,043	192,072
1938.....	208,799	38,613	35,985	12,516	121,685
1939.....	285,271	36,447	50,188	11,667	186,969
1940.....	374,149	31,199	129,600	10,336	203,014
1941.....	520,197	31,359	202,368	16,299	270,171
1942.....	644,227	36,234	308,512	13,863	285,618
1943.....	821,651	36,272	452,374	14,081	318,924
1944.....	852,971	37,109	467,138	14,397	334,327
1945.....	897,791	38,119	504,470	8,847	346,355
1946 (6 months).....	392,815	19,131	171,328	8,865	193,491

NOTES:

- 1. Figures for the years 1936 and 1937 include results for eleven, twelve and thirteen month periods, in the case of certain subsidiaries, and of the parent company. For the following years the accounts of all are on a calendar year basis.
- 2. Amounts shown for provision for Income and Excess Profits Taxes have been reduced by the estimated refundable portion of Excess Profits Taxes as follows:

1942.....	\$24,465
1943.....	78,450
1944.....	79,163
1945.....	88,631

The above figures do not include \$1,548 applicable to a Subsidiary Company prior to acquisition.

- 3. Provision for Income and/or Excess Profits Taxes is on the basis of rates existing in the respective years. Calculation of Excess Profits Taxes is on the basis of Present Standard Profits.
- 4. Better Proprietaries Limited became a Subsidiary as of 1st January 1943.
- 5. Toiletry Sales Limited was incorporated as a Subsidiary 1st January 1946.

(Signed) MACINTOSH, ROBERTSON and PATERSON,
Chartered Accountants.

